

Axiata Group (AXIATA MK)

Infraco Monetisation This Year; Focus On Managing Near-term Macroeconomic Risks

Highlights

- Management reiterated that Edotco's monetisation may materialise in 2026, as we expect a blended 7-10x EV/EBITDA valuation for a trade sale. We expect the transaction to be mildly earnings accretive.
- Separately, the group appears to manage Middle East conflict risk, citing: a) inelasticity of demand for telco services; b) fuel prioritisation towards critical infrastructures such as network services; and c) resilient balance sheet position across OpCos.
- Maintain BUY with a SOTP-based target price of RM3.00.

Analysis

- Edotco monetisation to materialise in 2026.** In a recent analyst call, management reiterated that Edotco's monetisation may materialise in 2026, as we estimate a blended 7-10x EV/EBITDA valuation for a trade sale. This suggest that Malaysia's tower sales will be valued at a premium to its frontier market assets. At 10x EV/EBITDA, the transaction is expected to be earnings accretive. In addition, recent volatility in the Indonesian capital markets may see the deferment of LinkNet's near-term divestment plan.

Edotco Enterprise Value

	EV/EBITDA Multiple (x)					
	7	8	9	10	11	12
Edotco EBITDA (RMm)	1,766	1,766	1,766	1,766	1,766	1,766
Edotco Enterprise Value (RMm)	12,362	14,128	15,894	17,660	19,426	21,192
edotco Net Debt (RMm)	4,380	4,380	4,380	4,380	4,380	4,380
Edotco Equity Value (RMm)	7,982	9,748	11,514	13,280	15,046	16,812
Interest savings (5% - net of tax)	299	366	432	498	564	630
Loss of Income (net of tax)	463	463	463	463	463	463
Net impact (RMm)	-164	-97	-31	35	101	167

Source: Axiata, UOB Kay Hian

- Managing emerging risk given the Middle East conflict.** We note that prolonged Middle East conflict may lead to inflationary pressure and Axiata Group (Axiata) may be exposed to consumer affordability issues, especially in the frontier markets. In addition, the elevated energy prices may also adversely impact network cost and overall opex. Axiata believes that these risks will be mitigated given: a) inelastic demand for telco services; b) respective countries' prioritisation of fuel towards critical infrastructures such as network services; and c) healthy balance sheet across its OpCos. Within Axiata's portfolio, Robi's Bangladesh operations may be the most exposed to macroeconomic headwinds, particularly around consumer affordability.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	22,334.6	11,758.0	12,138.1	12,808.7	13,524.0
EBITDA	11,129.0	5,460.0	5,806.5	6,128.3	6,436.6
Operating profit	3,787.8	1,566.6	1,783.5	2,294.1	2,706.5
Net profit (rep./act.)	946.8	364.6	441.8	646.3	785.0
Net profit (adj.)	852.2	364.6	441.8	646.3	785.0
EPS	9.3	4.0	4.8	7.0	8.5
PE	24.7	57.7	47.6	32.5	26.8
P/B	1.0	1.0	1.1	1.1	1.1
EV/EBITDA	4.1	6.6	6.3	6.0	5.8
Dividend yield	4.4	4.4	4.4	4.4	4.4
Net margin	3.8	3.1	3.6	5.0	5.8
Net debt/(cash) to equity	86.5	55.5	56.9	57.9	59.1
Interest cover	1.5	1.8	2.6	3.7	5.1
ROE	4.0	1.8	2.2	3.3	4.0
Consensus net profit	-	-	601.1	827.5	1,108.0
UOBKH/Consensus (x)	-	-	0.7	0.8	0.7

Source: Axiata, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM2.29
Target Price	RM3.00
Upside	+31.0%

Analyst(s)

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Stock Data

GICS Sector	Communication Services
Bloomberg ticker	AXIATA MK
Shares issued (m)	9,188.2
Market cap (RMm)	21,041.1
Market cap (US\$m)	5,362.1
3-mth avg daily t'over (US\$m)	4.2

Price Performance (%)

52-week high/low				RM2.79/RM1.98
1mth	3mth	6mth	1yr	YTD
1.8	(4.2)	(11.9)	7.0	(9.1)

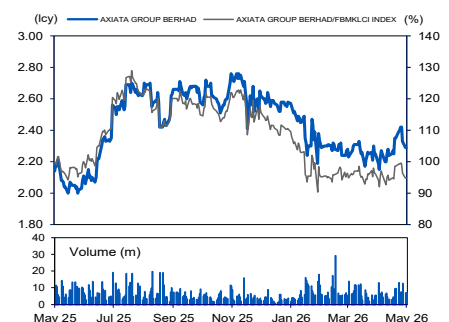
Major Shareholders

	%
Khazanah Nasional Bhd	36.4
Employee Provident Fund	19.4
Skim Amanah Saham	16.6

Balance Sheet Metrics

FY26 NAV/Share (RM)	2.16
FY26 Net Debt/Share (RM)	1.23

Price Chart



Source: Bloomberg

Company Description

Mobile operator.

- **Axiata28: BAU operations to deliver 10% yoy dividend growth.** Axiata aims to progressively increase its dividend payout by at least 10% yoy from a base level of 10 sen DPS over 2026-28, underpinned primarily by its business-as-usual (BAU) operations. The group is confident it can deliver sustainable dividend growth on the back of: a) healthy balance sheet position – frontier market OpCos are in net cash position; b) stable dividend upstreaming from OpCos and associates (2025: RM1.7b); and c) merger synergies from CelcomDigi and XLSmart to fully materialise by 2027.
- **Balance sheet discipline.** In 4Q25, the group's net debt/EBITDA improved to 2.46x (3Q25: 2.61x) with the utilisation of proceeds from the XLSmart merger for debt reduction. This was reflected in the partial redemption of RM631m in EMTNs at the holding company level, a RM611m sukuk repayment by Edotco, and Robi's near debt-free position. Management targets a net debt/EBITDA of 2.5x by end-26 and a run-rate of less than 2.0x by 2028, excluding InfraCo monetisation prospects.

Operating Companies (OpCos) Dividend Payout

Robi (Bangladesh)	- Paid out BDT1.75 DPS in 2025, amounting to BDT9.1b (+17% yoy).
Dialog (Sri Lanka)	- Robi is now nearing a debt free position, with reported borrowings only representing leases.
SMART (Cambodia)	- Proposed dividends of LKR1.50/share for FY25, amounting to LKR13.8b (+50% yoy).
XLSmart (Indonesia)	- Aims to completely pare down US dollar debt by mid-26.
Edotco (Malaysia)	- Contributed USD69.9m in dividends to Axiata in 2025.
CelcomDigi (Malaysia)	- Commands a net cash position, strengthening its dividend payout prospects.
Edotco (Malaysia)	- Declared a dividend payout of IDR244.70/share in 2025, amounting to a IDR1,545m payout to Axiata.
	- XLSmart turning profitable in 2027 will contribute meaningfully towards Axiata's dividend growth mandate, driven by its merger synergies.
	- Delivered net DPS of RM0.147/share (104% payout), translating to a RM571m payout to Axiata in 2025.
	- We project CelcomDigi to deliver dividend contribution CAGR of 9% over 2025-28.
	- Delivered its maiden dividend payout in 2025, contributing RM54m in dividends to Axiata.
	- Moderating finance cost and Philippine tower business turning profitable by 4Q26 will pave the way for future dividend payments.

Source: Axiata, UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with a SOTP-based target price of RM3.00.** Against a backdrop of balance sheet deleveraging and operating cash flow discipline, we expect management to pay out a DPS of 10 sen for 2025. This translates to a dividend yield of 4.4%. **Key re-rating catalysts** include: a) stronger OPCO performance in the upcoming quarters; b) a deleveraging exercise across the group; and c) the monetisation of EDOTCO, allowing for share price discovery.

Earnings Revision/Risk

- No changes to earnings.

Environmental, Social, Governance (ESG)

Environmental

- Committed to achieving net-zero emission by no later than 2050 and absolute reductions of 42% in Scope 1 and 2 GHG emissions, and 25% in Scope 3 GHG emissions by 2030 from a 2022 base year.

Social

- Achieved 34% women's representation in senior management across the group in 2025.

Governance

- Over 95% training completion for anti-bribery & anti-corruption, whistleblowing, data privacy and cyber security yearly.
- 30% women composition on the board of directors in 2025.

Edotco's EBITDA Breakdown By Region

	EBITDA (RMm)	% by region
- Malaysia	670	38%
- Bangladesh	564	84%
- Cambodia	117	21%
- Pakistan	117	101%
- Philippines	300	255%
- Others	(2)	-1%
Total EBITDA	1,766	100%

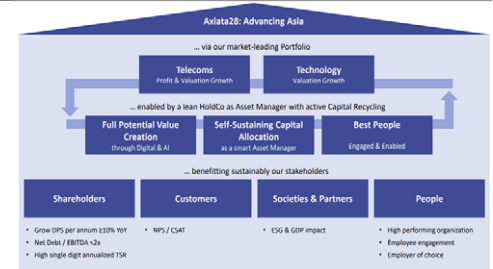
Source: Axiata, UOB Kay Hian

Fair Value At RM3.00/Share

	Equity Value (RMm)	% of SOTP
Operating Companies		
Celcom	16,646	50%
XL Axiata	3,959	12%
SMART	3,748	11%
Robi	3,997	12%
Dialog	212	1%
Total OPCOs	28,562	87%
Edotco	8,316	25%
ADA	635	2%
Boost	534	2%
Link Net	1,500	5%
Holding company debt	(6,533)	(20%)
Total (RMm)	16,646	50%
Axiata's SOTP (RM/share)	3.60	
Axiata's Fair Value (RM/share)	3.00	15% discount

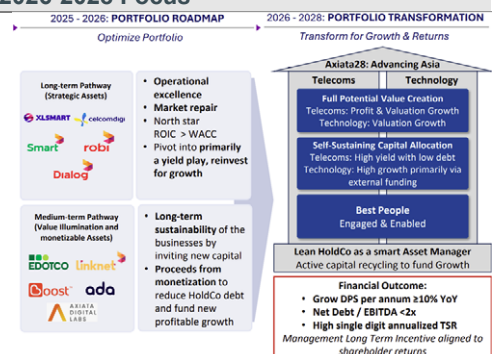
Source: UOB Kay Hian

Axiata28



Source: Axiata

2026-2028 Focus



Source: Axiata

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	11,758.0	12,138.1	12,808.7	13,524.0
EBITDA	5,460.0	5,806.5	6,128.3	6,436.6
Deprec. & amort.	(3,893.4)	(4,023.1)	(3,834.3)	(3,730.0)
EBIT	1,566.6	1,783.5	2,294.1	2,706.5
Total other non-operating income	-	-	-	-
Associate contributions	19.3	705.0	787.8	787.8
Net interest income/(expense)	(548.1)	(408.6)	(401.8)	(407.4)
Pre-tax profit	995.6	2,079.8	2,680.1	3,086.9
Tax	(656.3)	(1,371.1)	(1,766.8)	(2,035.0)
Minorities	(267.0)	(267.0)	(267.0)	(267.0)
Net profit	364.6	441.8	646.3	785.0
Net profit (adj.)	364.6	441.8	646.3	785.0

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	3,705.6	4,348.5	4,479.7	4,560.5
Pre-tax profit	995.6	2,079.8	2,680.1	3,086.9
Tax	(656.3)	(1,371.1)	(1,766.8)	(2,035.0)
Deprec. & amort.	3,893.4	4,023.1	3,834.3	3,730.0
Associates	(19.3)	(705.0)	(787.8)	(787.8)
Working capital changes	(1,264.5)	(86.9)	118.2	159.0
Other operating cashflows	208.6	-	-	-
Investing	548.1	408.6	401.8	407.4
Capex (maintenance)	(20.0)	(2,896.9)	(3,095.2)	(3,317.2)
Proceeds from sale of assets	(2,040.6)	(3,034.5)	(3,202.2)	(3,381.0)
Others	2,020.6	137.6	107.0	63.8
Financing	4,187.3	(1,964.8)	(2,427.3)	(2,389.7)
Dividend payments	(918.6)	(918.6)	(918.6)	(918.6)
Issue of shares	9.5	-	-	-
Proceeds from borrowings	(8,138.5)	(500.0)	(1,000.0)	(1,000.0)
Others/interest paid	13,234.9	(546.3)	(508.7)	(471.2)
Net cash inflow (outflow)	7,872.9	(513.2)	(1,042.8)	(1,146.4)
Beginning cash & cash equivalent	3,541.7	2,573.4	2,060.3	1,017.5
Changes due to forex impact	(470.1)	-	-	-
Ending cash & cash equivalent	10,944.5	2,060.3	1,017.5	(129.0)

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	14,457.1	13,468.5	12,836.4	12,487.4
Other LT assets	27,848.3	28,553.3	29,341.1	30,128.9
Cash/ST investment	3,746.8	3,233.6	2,190.8	1,044.4
Other current assets	3,716.2	3,834.6	4,043.5	4,266.3
Total assets	49,768.4	49,090.1	48,411.8	47,927.0
ST debt	6,650.6	6,400.6	5,900.6	5,400.6
Other current liabilities	7,196.4	7,227.9	7,554.9	7,936.7
LT debt	8,401.8	8,151.8	7,651.8	7,151.8
Other LT liabilities	3,451.1	3,451.1	3,451.1	3,451.1
Shareholders' equity	20,357.3	19,880.5	19,608.3	19,474.7
Minority interest	3,711.1	3,978.1	4,245.1	4,512.1
Total liabilities & equity	49,768.4	49,090.1	48,411.8	47,927.0

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	46.4	47.8	47.8	47.6
Pre-tax margin	8.5	17.1	20.9	22.8
Net margin	3.1	3.6	5.0	5.8
ROA	0.7	0.9	1.3	1.6
ROE	1.8	2.2	3.3	4.0
Growth				
Turnover	(47.4)	3.2	5.5	5.6
EBITDA	(50.9)	6.3	5.5	5.0
Pre-tax profit	(61.2)	108.9	28.9	15.2
Net profit	(61.5)	21.2	46.3	21.5
Net profit (adj.)	(57.2)	21.2	46.3	21.5
EPS	(57.2)	21.2	46.3	21.5
Leverage				
Debt to total capital	41.9	41.0	38.8	36.3
Debt to equity	73.9	73.2	69.1	64.5
Net debt/(cash) to equity	55.5	56.9	57.9	59.1
Interest cover (x)	1.8	2.6	3.7	5.1

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